

~~CONFIDENTIAL~~Communist China's Economy -- Current and Future

It is a great pleasure to be at the Naval War College and to have the opportunity to discuss with you gentlemen the rapidly developing Chinese economy. Today, we in the United States are primarily concerned with combatting the challenge posed by the Soviet Union. And this course of action is eminently sound, for the USSR is not only pre-eminent within the Communist Bloc, but its formidable military, economic, subversive, and political power is also freely acknowledged to be dedicated to the liquidation of capitalism.

Now, I cannot claim to have a particularly clear crystal ball, specifically designed to peer a generation ahead. But let me state a personal conviction, that within 25 years we will face a second, and equally dangerous challenge, from the present junior partner in the Bloc, Communist China.

The Communists took over Mainland China in 1949. The period of detailed planning for forced draft industrial growth did not begin until 1953. Just seven days ago Mao and his comrades celebrated the tenth anniversary of their accession to power. During this short space of ten years, Communist China's leaders have driven the economy ahead in dedicated and ruthless fashion. They have made substantial progress in transforming a backward agricultural country into an industrial nation. In 1958, the year which Peiping described as the "great leap forward," by pressing for increases in

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physical output at almost any cost, they succeeded in producing 20 percent more goods than in 1957. This is not the official Chinese claim, which is substantially higher, but our own reconstruction of probable performance.

Let me give you a few figures. Steel production 10 years ago was less than one million tons. It has now risen to a level which is challenging the output of Japan, China's major economic competitor in Asia. China is now the seventh largest producer of steel in the world.

One further example, that of cement. Communist China has doubled its output of cement over the past three years. It is now producing over 11 million tons annually, which, for this commodity, puts it in the same league with Great Britain.

China - India Comparison

To put this dynamic economic growth in perspective, it is helpful to compare the recent history of China with that of India. I have some overall statistics to show you.

(Briefing Aid -- China and India,

Gross National Product and Investment)

1. The column at the far left is an estimate of total output, or gross national product, in China and India for the year 1952. The red is China; the blue India. You can see that in that year, China's gross national product, or GNP, was about 47

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billion U.S. dollars, or slightly more than 40 percent ^{greater} ~~than~~ than that of India.

2. Moving across to 1958, you can see that total output for China had increased to over 75 billion dollars. It was now about 80 percent greater than that of India, compared to 40 percent greater only six years earlier.

3. Continuing across the chart, we can see one of the principal reasons, if indeed not the key reason, for China's superior performance. In the final analysis, the rate of economic growth is heavily dependent upon the rate of savings, and the plow-back of these savings in the form of investment. You can see two significant facts about Chinese investment in 1958:

a. First, that it was about 15 billion dollars, or over four times as much as that of India, and second,

b. That even on a per capita basis, Chinese investment was more than twice that of India.

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The far more rapid rate of growth of the Chinese economy undoubtedly has a "demonstration effect" on the newly emergent countries of Free Asia. These countries are characterized by intense nationalism, coupled with the determination to achieve a better way of life. Rightly or wrongly, they are convinced that rapid industrialization is the true path to progress. The leaders in Peiping are alert to the opportunity which this great transformation provides them. In their propaganda to Southeast Asia,

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they stress China's rapid growth, and point to Communism as the magic blueprint which made it possible.

Difficulties with Chinese Statistics

Before going any further into the Chinese economy, I want to spend a few minutes on a subject which may be troubling some of you, and that is the reliability of Chinese Communist statistics. These statistics, which are based on Soviet concepts, have always displayed the general limitations that characterize Bloc data. In addition, there have been weaknesses arising from Chinese Communist inexperience, faulty organization, and lack of figures.

However, these weaknesses were being gradually overcome prior to 1958. By 1954, the statistical system was operating at a considerably higher level of competence than in previous years, and a greater proportion of economic activity had come under the control of the State. Therefore, data covering the years 1954-57 were considered relatively good.

In 1958 there was a pronounced deterioration. Under the slogan, "let politics lead economics," statistical reporting was prostituted to political propaganda. Local leaders were encouraged to set high production goals in order to encourage "production enthusiasm." Under these circumstances, where local leaders were afraid to report the truth, it is not surprising that the central statistical authorities lost control of the situation.

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Now, if one fact is certain about the running of a highly centralized economy, it is the need for reliable data. For example, the planners cannot allocate to the export account non-existent materials in payment for needed imports. Freight cars sent to a province reporting a food surplus come back empty. As a result, workers go hungry. In short, the authorities at a minimum quickly find themselves in serious difficulties.

We who had been following the reported data wondered how long this period of statistical nonsense could continue. The answer was, of course, not very long. Some of you may recall reading in the newspapers a month ago of the dramatic recantation by the Chinese leaders, who admitted that many of their statistics for 1958 and 1959 had been grossly overstated. For example, they had claimed that grain production was 375 million tons in 1958, or double 1957's output, and this incredible figure was "reassessed" to 250 million tons. The data presented in this morning's talk are based upon independent estimates made by people in my office, who believe that some of the revised Chinese output claims for agriculture are still too high.

It is one of the ironies of history that, if the Chinese propagandists had told the world the truth, if they had stated no more than their actual achievements, the story would have been most impressive. As it now stands, the primary effect of Chinese exaggerations has been to make outside observers skeptical of any of Peiping's claims.

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Soviet Aid to China

I would like to turn now to another point that we should dispose of early this morning. That point is the role the Soviet Union has played in China's economic achievements.

There is no doubt that Soviet economic assistance has played an important part in the rapid build-up of industry in Communist China. The regime has relied upon the Soviet Union and the European satellites for the more modern complex machinery and equipment needed. While the domestic Chinese machinery manufacturing industry has grown rapidly, China was still dependent upon imported equipment for 30 percent of its requirements at the end of 1958 -- more than half of which was Soviet-manufactured equipment.

The large modern plants which the Chinese Communist periodically exhibit as examples of current progress invariably turn out to have been Soviet-designed, Soviet-equipped and, often, put into pilot operation under the direction of Soviet technical advisors. Soviet aid in Chinese industrial construction has been concentrated on these large modern plants -- an excellent division of labor -- and the Chinese leaders very rightly refer to these projects as the backbone of their industrial program. Let me show you some overall figures which may help to put these relationships in perspective

(Briefing Aid -- Communist China:

Sources of Supply of Machinery and Equipment 1953-57, 1958)

1. This chart shows the relationship, in percentage terms, between internal and external sources of supply for industrial

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equipment. The first column is the average for the years 1953-57, and the second column is for the year 1958.

2. You can see at the top that whereas Communist China supplied about 60 percent of her own needs for machinery and equipment in the five year period ending in 1957, that the trend was toward greater self sufficiency. In 1958, 70 percent came from domestic sources, aided of course, by the opening of machine building plants equipped with Soviet tools.

3. The very small portion of machinery supplied by the Free World, 2 percent, is represented by the thin blue line in both columns.

4. Finally, you can see that the importance of the USSR and the European Satellites as a source of supply has been declining. In our first column, the Soviet Bloc accounted for 38 percent of total supply, compared to 28 percent in the most recent year.

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It is important to realize that while the Soviet Bloc has met Communist China's need for the import of capital goods, only a small part of this was on credit. There is no evidence that China has received a single red kopek of economic grants from the USSR. Aside from military loans, all that Peiping has received from Moscow over the past ten years is two economic loans, totaling \$430 millions. Finally, not only have all China's imports from the USSR been on a pay-as-you-go basis since 1956, but China has also been paying off the Soviet loans of previous years.

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The point is that economic relations between the two countries are on a businesslike basis. China does not act like a poor relation in these dealings; indeed the posture of near equality probably is a reflection of national pride. At any rate, I think it is clear that the picture of China as a kind of bottomless pit down which Soviet wealth is being poured is a completely misleading one.

Having covered briefly two subjects which I thought might be particularly troublesome -- first, the reliability of Chinese statistics, and second, the role of the Soviet Union in China's economic development, I propose to move on to outline some basic features of the Communist economic system.

I stress communist rather than Chinese because all communist systems have a great deal in common. The economy of China, as is also true in the Soviet Union, is shaped to serve the goals of the state, not the people. What are these goals? First, there is the driving ambition to transform China into a great world power. The achievement of great power status requires the industrialization of what is still essentially an underdeveloped country.

The impatience of the present leaders of the Chinese Communist Party, a group of first generation revolutionaries, is reflected in the frantic, and indeed ruthless, pace of industrialization.

The Communes

The frantic pace of industrialization was established in the 1958 "great leap forward" campaign. The essence of this campaign

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was to mobilize the vast labor potential of China's population. The commune system was the form of organization and control chosen to implement the great leap forward program.

The communes represent the most radical formula for re-organizing society attempted anywhere in recent times. They go far beyond anything tried in the Soviet Union.

They are tightly-knit, multipurpose administrative units which gather together in one package management of all agricultural, industrial, commercial, cultural, and military affairs in a given locality. Generally, the commune coincides with the township boundaries, and includes about 5,000 families. Once organized, a commune takes over all property and in the extreme case absorbs all privately held garden plots, fruit trees, and domestic animals.

Within the commune, all the members, both men and women, are organized along military lines into production brigades. Among the most revolutionary aspects of the communes are those affecting the day-to-day life of the people. Communal messhalls have been set up to replace private dining, and children are being placed in communal nurseries. Old people are placed in ^{so-called} "happy homes" where they are assigned productive tasks within their physical capabilities, such as looking after the chickens. These moves, tending to break up the traditional family, have proved to be the most repelling aspects of the commune to many of China's peasants and to the Overseas Chinese.

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The pace of work achieved is incredible by Western standards. There is plenty of evidence to show that the work day was, and still is in some cases, 18 hours. Everyone was put to work. Small children were assigned to pulling weeds, grade school children made shoes, housewives dug ditches and stoked iron furnaces, and the old folks tended the hogs. Excesses by local authorities became so general that the regime imposed a maximum work day of 12 hours.

The commune program constitutes the biggest domestic gamble made by Communist China to date. As of now, the communes remain in an experimental stage. Many of the extreme communal practices have been at least temporarily discarded. Communes represent an overturn of an ancient way of living and thinking, and they represent a call on human energy above what even the long-suffering Chinese may accept. This is a far cry from the "new communist man" the communes are supposed to create. However, the Chinese Communists have already demonstrated the ability to do many things which a decade ago would have seemed impossible, in view of the traditional character of Chinese society. We believe that communes are here to stay. However, the regime -- which has proved itself pragmatic and opportunistic -- may well modify the rules of the game and still call the resulting organizations "communes." In short, it seems unlikely that the regime will have to choose between a blood bath or the abandonment of the communal experiment. Once the

commune system is tested and consolidated in rural areas, we believe it will be introduced in modified form in urban areas.

Economic Decision Making

We can pass now from the organization of people to the organization of government, with particular reference to the economic chain of command.

(Briefing Aid -- Communist China:

Typical Economic Chain of Command)

1. The Chinese economy, being a command economy, gets its orders and basic direction from the Communist Party. At the top left of our chart, you will see the Party Central Committee. The major economic policy decisions are made by the Politburo of the Central Committee. This group of about 20 party leaders is presided over by Mao Tse-tung.
2. In the top center of our chart is the State Council, headed by Chou En-lai. Once the top party leaders have spelled out the major economic policies, it is the responsibility of the State Council, the highest executive organ, to draw up the national economic plan. This top level administrative group executes all economic planning and administration in China.
3. Attached to the State Council are two planning commissions, shown on the upper right of the chart. These are the National Economic Commission, responsible for annual plans, and headed by Po-l-Po, and the State Planning Commission, headed by

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Li Fu-chun, which is responsible for the five year plans. Today, the regime is in the second year of the Second Five Year Plan period, 1958-62.

4. The second layer in the economic control structure is comprised of nine specialized industrial ministries -- iron and steel, coal, petroleum, construction, machine building, chemicals, electric power, light industry and textiles. The armament producing plants are attached to the Ministry of Machine Building.

5. Most enterprises, about 80 percent at last count, are under the managerial direction of local governments, rather than under the specialized ministries. The trend has been to more decentralized control, following the November 1957 managerial reform. Actually, the plants still subordinate to the specialized ministries are really under dual authority, because they are dependent on local governments for manpower and commodity allocation. Finally, the individual plants play a part in the planning procedure, drafting plans to cover their own expected level of output and requirements for labor and raw materials.

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Chinese economic plans ^{here} are directed to build ~~up~~ up heavy industry in the shortest possible time. Living standards are kept down to the lowest level compatible with productive efficiency and morale. The leadership then plows back into investment a

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large and increasing proportion of the nation's total output. Investment, as a proportion of total output, is now almost 30 percent, compared with 21 percent in the United States, and 27 percent in the Soviet Union.

Chinese Communist investment policy calls for nine times as much investment in heavy industry as in the industries producing consumer goods. As a result of this policy, the great masses of people work very hard to produce more, but do not enjoy proportionately higher levels of living. The regime's purpose is to press for continued economic growth and to leave the improvement of living standards to the future. Let me emphasize this general point, which is true of the Soviet Union as well as of Communist China -- not only is investment a higher percent of total output than is the case in the US, but a larger share of investment goes into the industries which are important from the point of view of basic economic and basic military strength.

Population - Agricultural Production

I would like to pass along to a brief consideration of some of the problems facing the leaders of Communist China, specifically to those problems which have a critical effect on economic growth. The first of these is really a set of three matters -- population, food supply, and foreign trade -- which are so closely bound together that it is probably best to consider them as a single package.

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One ancient problem which has been temporarily pushed into the background by the success of the 1958 harvest is the pressure of population on food supply. The population of Communist China is now estimated at 680 million persons. It is increasing at a rate of $2\frac{1}{2}$ percent a year, or 16 million persons, which is a number almost equal to the present population of Canada or East Germany.

The Chinese leaders currently claim the vastness of their population is an asset rather than a liability. They state that emphasis should be placed on people as producers, rather than as consumers. If the population continues to grow at the present rate, the numbers soon become very large indeed.

(Briefing Aid: Communist China Population)

1. You can see that over the past ten years, the population of China has increased by about 100 million people, from 580 million to 680 million. However, because the base is now larger, it will take less than seven years to add the next 100 million, compared with ten years; that is, 1949-59.

2. Further, by 1975, if past trends of increase prove to be reliable guides, China's population will exceed the one billion mark. This would be an absolute increase of 330 million in 16 years.

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One key question is whether or not the food supply can be expanded rapidly enough to feed such numbers. Our agricultural analysts have looked at the prospects over the next five years. They believe that food production over this relatively short period of time will grow somewhat more rapidly than population. If these estimates are correct, then the food supply-population relationship should ease moderately. Naturally, successive years of poor harvests, a sudden increase in the birth rate, or a decline in mortality rates could change this forecast.

If the food situation does get tighter, the regime could again call for vigorous birth control measures. You may remember that in 1957, faced with a marginal food supply, the Chinese leaders launched such a campaign. Although they have been submerged in the leap forward, official birth control programs still continue on a small and unpublicized scale. It is my own opinion that, in the long run, the regime will be forced to resort to programs which will reduce the birth rate. I believe that the problem is not so much one of population outrunning food supply as it is one of finding rewards to increase worker incentives.

One major step in this direction would be to increase the quantity, and particularly the quality, of foodstuffs. The Chinese diet is monotonous and low quality by western standards. Although there was an increase in grain stocks in 1958, foods rich in protein and fat, such as pork, eggs, and fish, have been gradually disappearing from the people's diet. This cannot help but be a drag

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on worker incentives. With the disillusionment of the workers with the regime, tangible steps must be taken to improve incentives. The alternative would be to jeopardize the program of rapid industrialization.

Finally, the Chinese are faced with the problem of increasing exports of foodstuffs to pay for imports of needed machinery and industrial raw materials. Let's look at a few figures.

(Briefing Aid -- Communist China,

Percentage Distribution of Foreign Trade)

1. You can see from the size of these circles that China's foreign trade tripled between 1950 and 1958.
2. Although this chart does not show it, the proportion of Chinese exports accounted for by agricultural raw materials and foodstuffs decreased during the period. However, in absolute volume, such exports amounted to more than twice as much in 1958 as in 1950, and were the most important single category of exports.
3. Of some interest, although not pertinent to the main line of our discussion, is the fact that China's trade with the Free World has been increasingly important over the past four years, while her trade with the Bloc has been declining as a share of total trade.

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The principal thrust of a failure to deal successfully with the population, food supply, and export availability complex of problems would be ~~the result~~ a lowering of the rate of economic

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growth. The achievement of Communist China's dreams of future power depends most heavily on a high rate of capital accumulation. To raise China from its backward status to a modern nation requires vast amounts of capital and considerable equipment imports.

Agricultural production must generate much of this capital, which means that it must provide a substantial surplus over and above present restricted levels of consumption.

Transportation

I would like to move along to a further problem, that of uneven development. Forced draft industrialization and the "leap forward" created serious imbalances between the various sectors of the economy. Nowhere were these more obvious than in the field of transportation.

The railroads carry 80 percent of the nation's freight. China has a territory which is somewhat larger than that of the United States, and with approximately the same east-west spread. Yet, when the Communists gained control, they inherited a railroad system which was only 16,000 miles in length compared to the 220,000 miles of main-line track in the US. Today, in addition to revamping and modernizing the entire railroad system, the Chinese Communists have added 6,000 miles of new routes, pushing the railroads westward into the hitherto unreached frontier areas of China, and have done extensive double tracking.

In addition to the railroad system being much too small for the huge territory to be covered, and for the amount of freight

to be moved, the existing track was poorly distributed. One-half

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of the rail system was concentrated in northeastern China, the area formerly called Manchuria, and the remainder was primarily two north-south trunk lines in the eastern sector, leaving large areas of China with little or no rail service. It was a situation which would be roughly comparable to having one-half of all the railroads in the United States located in New England and the bulk of the remaining track clustered around New York City and Philadelphia. Let's look at the map.

(Briefing Aid -- Communist China:

Railroad Construction, 1949-59)

1. The green lines show the extension of trackage since 1949. The line identified as No. 1, going through Lan-chou and extending to Ha-mi, taps the rich oilfields of Yumen. This line is now being extended to the Soviet border at Dzungarian Gate, and is scheduled for completion next year.

2. Line 2, has been completed south to Chunking. It will hook up with the Krei-yang extension, to form a new major north-south line.

3. Line 5 is essentially a strategic line extending in two prongs to the coast opposite Taiwan. Another strategic addition is line 7, running through North Vietnam to Hanoi.

4. Although not shown on the map, the main emphasis in 1958 and 1959 has been on double tracking already existing main lines. This includes the Peking-Canton line and the Tientsin-Nanking-Shanghai route.

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Despite these additions, railroad mileage is still too small and badly located, and is supporting the economy at its present level only with very considerable difficulty. In the face of an overall transportation shortage in 1958, priority was given to heavy industry in the use of transport facilities. This contributed to serious food shortages in some urban areas, and probably to the decline in exports which took place late in the year.

The effort put forth by native transport during 1958 was staggering. According to Minister of Communications Wang Shou-tao:

"On the steel and iron transportation line, there were not only the professional (workers), but also millions of peasants of both sexes and all ages. The army, navy, and air force also mobilized motor vehicles, fleets of vessels, and airplanes to render assistance. They formed a big army of transportation which did not exist before."

The waste involved must have been fantastic. There were millions of people moving over the land with backpacks or wheelbarrows full of coal and iron ore. Sometimes 60 to 70 percent of a local labor force would be used in transportation to supply the small native blast furnaces, which were turning out an inferior or even unusable product.

The Chinese government's decision to devote 21 percent of 1959 investment to transportation and communications, compared with 13 percent in 1958, constitutes a solid attack on the

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transportation crisis. Freight car production was scheduled to increase $2\frac{1}{2}$ times in 1959. A sharp reduction in the output of native blast furnaces will also ease the burden in the short run. However, many serious problems remain. The burden on the railroads over the next several years can be expected to increase roughly in proportion to industrial production. At least for the next several years, the allocation of transportation priorities will be a major headache to the Chinese planners.

Future Prospects

I would like to turn now to the future prospects of China's economy. Having briefly drawn your attention to some of the major problems which the Communist leadership face, I would like to mention some of the fundamental assets to be found on the credit side of the ledger. It is important not to underestimate China's prospects for developing into a strong, highly industrialized economy.

First of all, she has all of the basic natural resources needed by an industrial power based on present day technology. She has sufficient iron ore and coking coal to become at least the leading steel producer in Asia. Even today, China is the third largest producer of coal in the world. Given the availability of the essential natural resources, there is every reason to take seriously the communist leaders' plans for future industrial development, even if the targets may turn out to be somewhat exaggerated.

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Secondly, China's economic system, being state-controlled and centrally directed, can channel a far higher proportion of total output into investment than can free enterprise economies. The communist system seems well suited to a high investment-rapid growth type of economy; the free enterprise system to an economy of high consumption.

Thirdly, the regime has succeeded in harnessing the labor potential ^{of} China's vast population to the economic development program.

Finally, industrialization requires an abundance of technical equipment and skills, both of which are in short supply in China. However, the other countries of the Communist Bloc, particularly the Soviet Union, have backed up China's efforts by providing large-scale technical assistance and by selling her essential equipment. This means that China's future growth is not vulnerable to Western economic warfare.

All this adds up to a conviction that China will continue to grow rapidly during the remaining years of the Second Five Year Plan, which ends in 1962. Let me try to put this growth in some perspective.

(Briefing Aid -- Communist China:

Gross National Product)

1. This chart shows total annual production of goods and services, or GNP, for the years 1952-62. The projection to

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1962 is based on an estimate that China will be able to increase its GNP by 10 percent a year over the next three years. This rate would be significantly lower than the "leap forward" progress of 1958. However, it would be a remarkably high rate by Western standards.

2. While agriculture would still be the largest single sector of the economy, its importance would have dropped from 45 percent in 1957 to 33 percent in 1962. At the same time, the absolute value of agricultural production is expected to increase about 30 percent over the five year plan period.

3. Finally, industrial output is expected to more than double over the five year plan period ending in 1962. Industry, if this forecast is correct, would then account for about 27 percent of total output, compared to only less than 17 percent in 1957.

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In general, it appears that the production of important industrial commodities will by 1962 be at levels which would have seemed inconceivable to foreign observers before the remarkable successes of 1958. For example, should the present accelerated schedules of plants and delivery of equipment for the iron and steel industry be fulfilled, it is estimated that the output of crude steel in 1962 can be upped to 20 million tons of steel that is useable by Chinese standards. Even though only about one-half of the 20 million tons would be considered of good quality by Western standards, it would still place Communist China among the

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major steel producers in the world. In any case, if China produces 20 million tons of crude steel in 1962, it will be an almost unprecedented economic achievement by all previous standards. Living conditions, of course, would still be painfully low by Western standards, and the price for the nation's economic gains would have been paid by the Chinese people.

Implications of Rapid Economic Growth

In conclusion, I would like to draw your attention to some of the implications of Communist China's expected progress on the economic front.

First of all, rapid economic growth will provide the Peiping leaders with additional resources with which to maintain large, and increasingly modern, armed forces. Her military forces today are about equal to those of all Free Asian countries combined. With the help of its Soviet ally, Communist China has been able to undertake the production of modern artillery, jet aircraft, tanks, and submarines. More importantly, an increasing proportion of the component parts for these items is now being produced by the Chinese. She has now advanced beyond the "assembly stage" in which Soviet-made parts were put together in Chinese factories. If recent trends and present policies continue, China's military spending could significantly increase in the next three years without increasing the relative burden on their economy.

Secondly, Communist China can now supply over half of all her requirements for equipment and supplies essential to its industrialization

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program. Three years from now, domestic equipment manufacturing facilities, based on present plans, are expected to provide three-fourths of their needs for equipment and supplies. This increasing capability to produce large-scale precision machine-tools, mining and metallurgical processing machinery, aircraft, and submarines, will go a long way towards decreasing Communist China's dependence on foreign arms and manufactured goods.

Thirdly, Communist China will continue to have a growing influence on Bloc foreign policy. As the strongest Asian power, Peiping's impact will be most felt in Asia. However, her ambitions are not limited to that continent. Following the 21st Party Congress in Moscow this February, the South American Communist delegates went home via Peiping. China apparently now shares with the Soviet Union the responsibility for Communist penetration and subversion in Latin America. They recently purchased a newspaper in Havana, and the Chinese are now active in the communist propaganda and cultural front activities throughout South America as well as beginning subversive training of Latino commies in Peiping.

Fourthly, in its foreign economic relations, Peiping has already given clear evidence of its desire to employ some of its new economic strength in trade and foreign aid as a weapon in economic competition with the West. It has already extended aid in the form of loans or grants to Burma, Cambodia, Ceylon, Egypt, Indonesia, Nepal and Yemen.

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And finally, I would repeat a point I made at the opening of this talk. That point is the "demonstration effect" of the dynamic growth of China on the newly emergent countries of Free Asia. These countries are determined to "leap forward" into the twentieth century through rapid industrialization. The Chinese leaders are alert to the opportunity which this great transformation provides them. Potentially, I believe this is the most serious threat to our national security.

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